

A FEW WORDS

OF THE

Savings Banks

IN EASTERN AND WESTERN CANADA,

AND PARTICULARLY ON THE

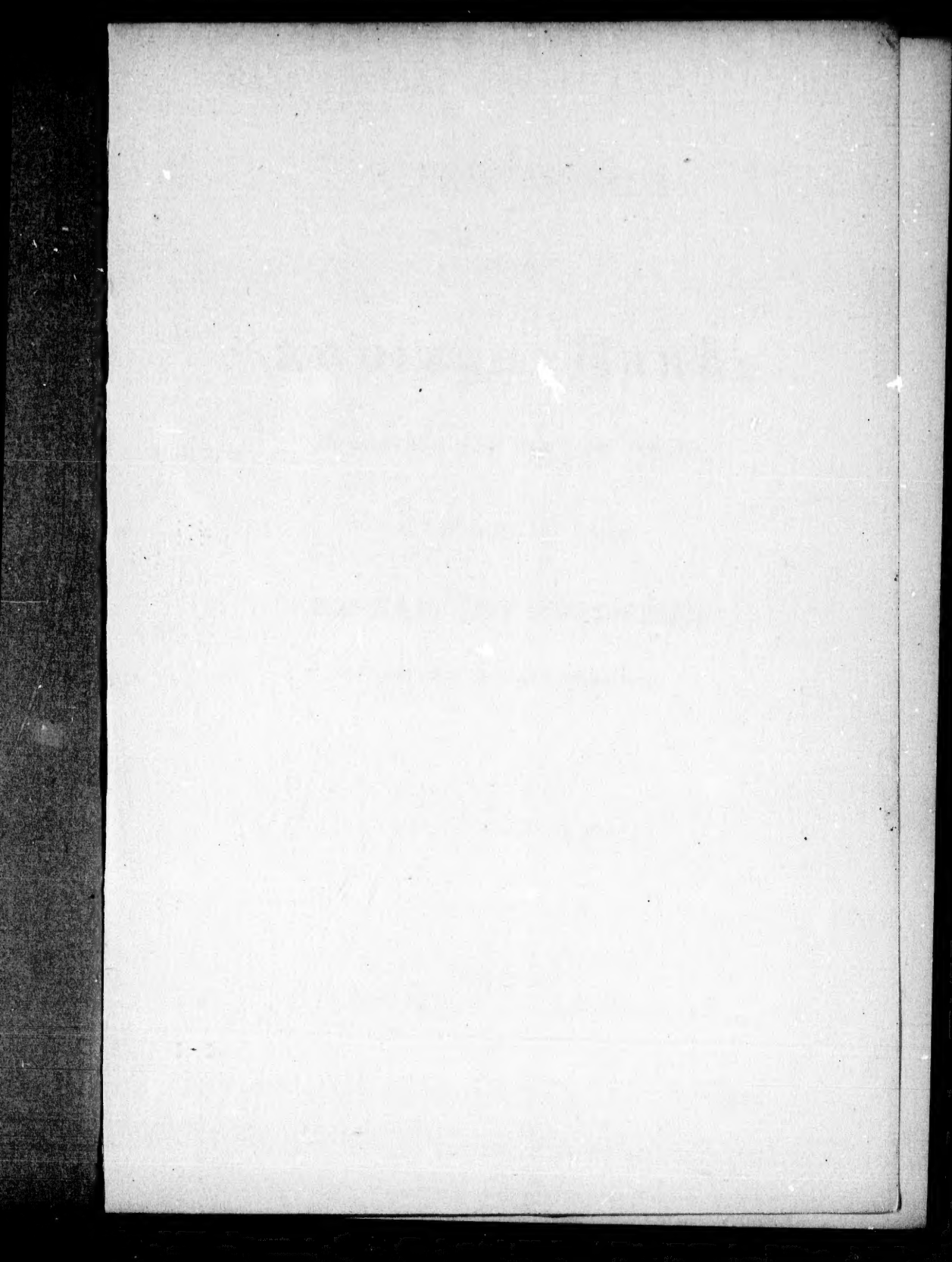
"MONTREAL CITY AND DISTRICT"

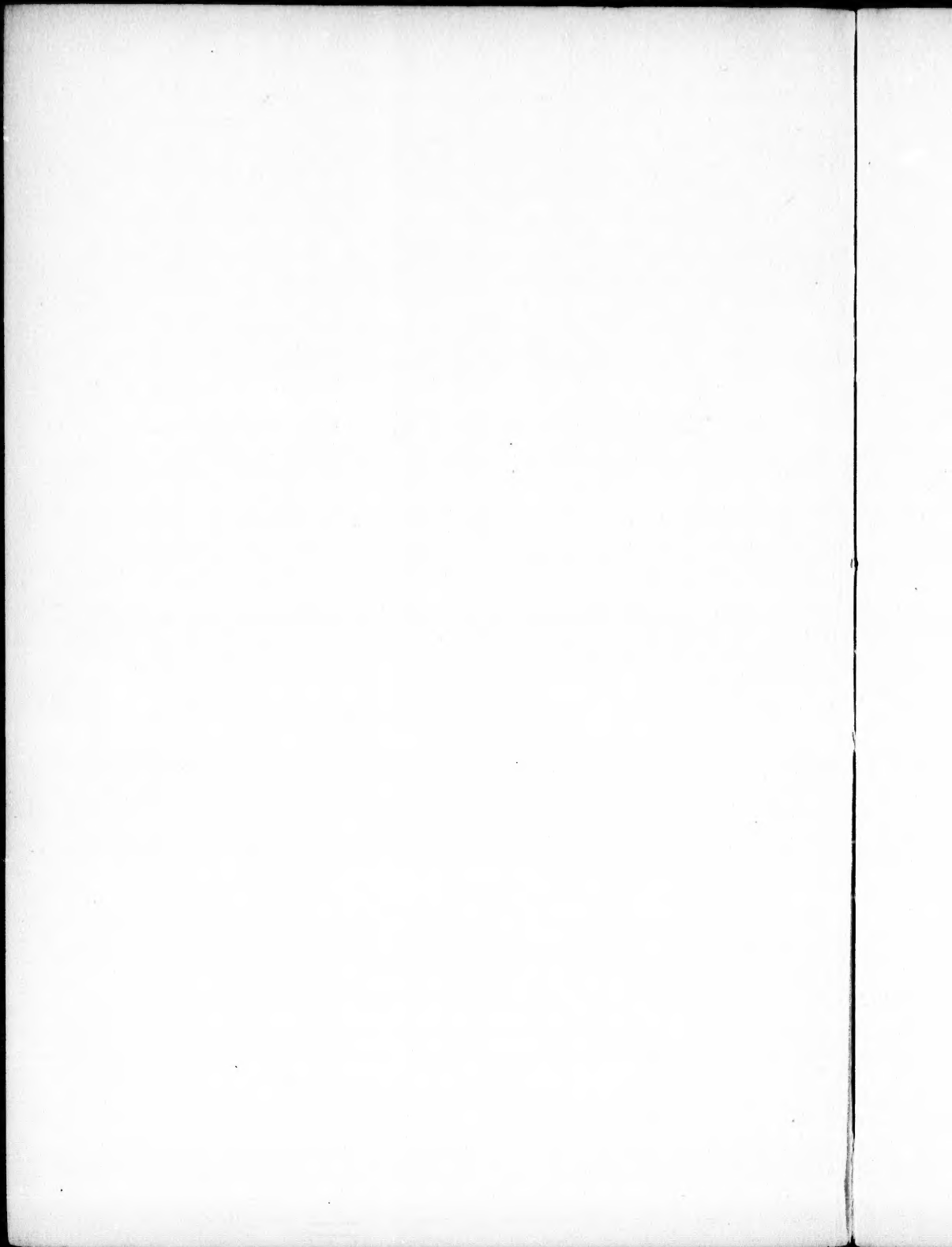
FROM ITS ESTABLISHMENT.

Montreal :

PRINTED BY JOHN LOVELL & SON.

1884.





A FEW WORDS
ON THE
Savings Banks

IN EASTERN AND WESTERN CANADA,

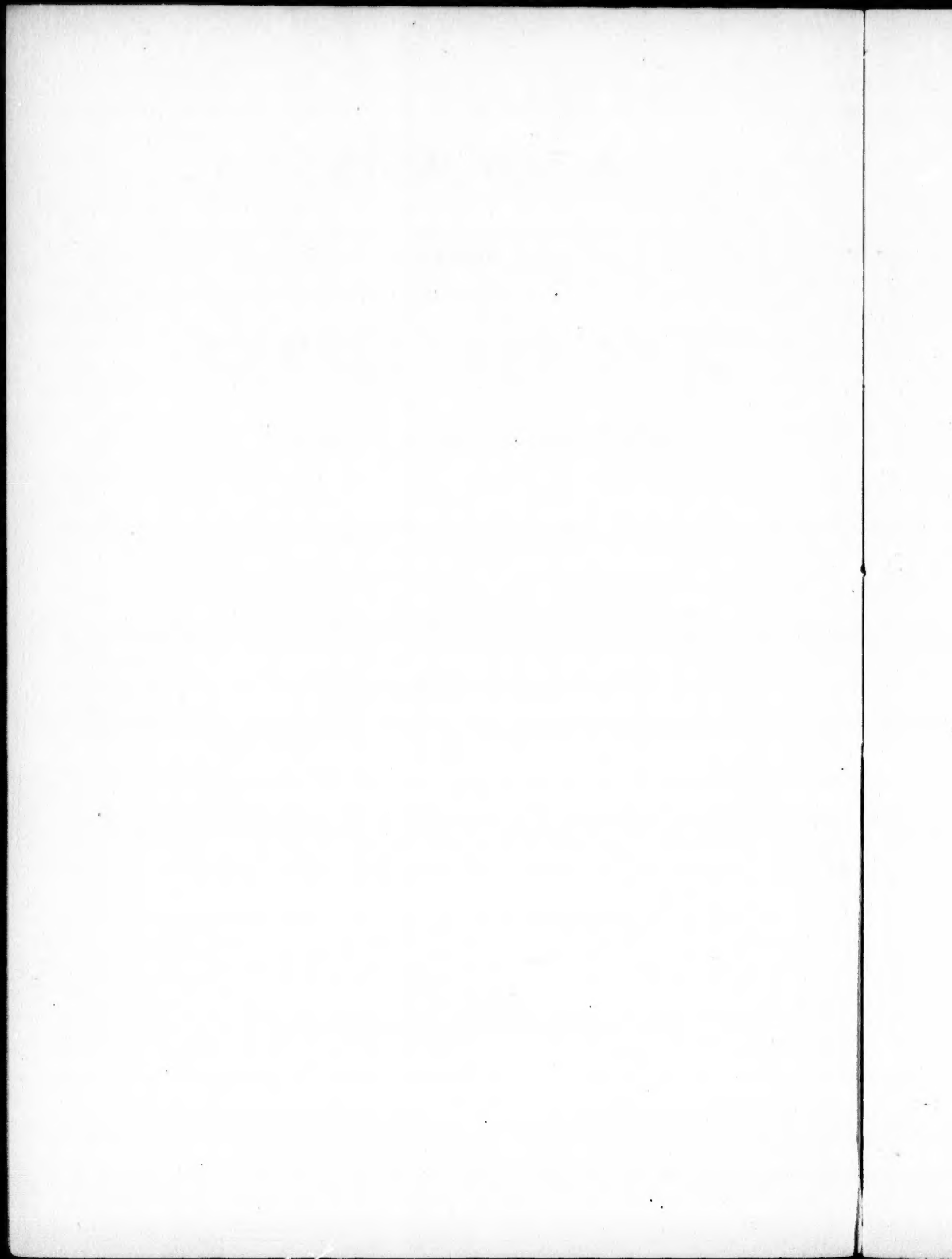
AND PARTICULARLY ON THE

“MONTREAL CITY AND DISTRICT”

FROM ITS ESTABLISHMENT.

Montreal :
PRINTED BY JOHN LOVELL & SON.

1884.



A FEW WORDS

ON

SAVINGS BANKS IN CANADA.

THE credit of having first given a practical form to Institutions for encouraging habits of economy among the poorer classes fairly belongs to this century, and it is but natural that an effort of this kind should have come from woman—that better part of man—whose heart is more accessible to the sufferings of humanity, and who is ever ready to devise means to alleviate distress and want.

In 1804, the Tottenham Bank (England), which had been conducted for some time previous by Mrs. Wakefield, was regularly organized, and trustees appointed. The effort was somewhat crude. Pensions were given at a certain age, and weekly allowances, in cases of sickness, to regular subscribers. But, with the newly-organized Institution, depositors were first admitted to place their savings, and to withdraw the money, receiving interest for the time. From that moment the idea of establishing Savings Banks became general, and soon every city or important town in England had its institution.

We find that the founders were the most distinguished and influential men of their times, and many of them, either as statesmen, merchants, or financiers, have secured for themselves a name in the history of their country. But were it only for their connec-

tion with, and their efforts and sacrifices of time and money for the benefit of the institutions they were the means of establishing, and through which so many persons of all ranks can trace the origin of their success in life, their names would merit a prominent place in the memory of all as public benefactors.

If our beloved Mother Country is rich in such men, her example in that direction has not been lost, for in this colony, and where the field for such a work was and yet is limited, those noble-minded men have had imitators, and the names of William Lunn, Hon. James Ferrier, and their collaborators, although not successful in their efforts, should be gratefully remembered as the founders of the first incorporated Savings Bank in Canada.

In writing these few lines on the history of the Savings Banks of the country, and more particularly on that of the "Montreal City and District," we must say more than a passing word of one of our most prominent, benevolent, and useful citizens—the late William Workman, the principal mover in the foundation of the institution in question.

To eminent qualities as a man of business Mr. Workman was blessed with a most benevolent disposition, and with the influence of his pen, guided by a powerful mind, his schemes for the benefit of the sick and infirm were numerous and important, while the drains upon his purse were constant.

But he was one of those who thought it a greater service to enable the laborer or artizan to provide for himself by teaching him the wholesome lessons of thrift and economy than to give alms, though none gave more than he. By the first means the moral of the working-classes is elevated. They become industrious, and then, through the influence of their own saving, they form citizens who are the strength and honor of their country.

With Mr. Workman, charitable enterprises invariably succeeded,

for he never hesitated to draw largely on his own financial resources to sustain the credit of the institution he had fathered, and thereby avert a danger which could alone be met by the suggestions of a great and noble heart.

In 1841 the first Act, 4 and 5 Vict. Chap. 32, incorporating Savings Banks, was passed. It was a general Act. There was then only one institution for savings—the Montreal Savings Bank, kept within the Bank of Montreal. But at the death of its manager, Mr. John Armour, the business was taken up by the Bank of Montreal, and was the origin of the Savings Bank Department of that institution.

Five Banks were founded on the Act of 1841 : the Provident Savings Bank of Montreal, the Montreal City and District in 1846, La Caisse d'Economie, Quebec, in 1855—although in existence since 1848, the Provident and Savings Bank of Quebec, and one in Ontario, then known as Upper Canada.

The Act in question permitted Savings Banks to invest in bank stocks and mortgages.

At the time of the establishment of the City and District, political feeling ran high. There was a certain antagonism between certain classes, which perhaps influenced the founders of the institution ; but a feeling of insecurity also manifested itself on account of the only Savings Bank then existing—the Provident and Savings—investing too largely in mortgages, especially as it seems to have been within the knowledge of those who took an interest in the welfare of the poorer classes that some, at least, of the mortgages then held must inevitably end in loss to that Bank. And, as the laboring classes had little opportunity of choosing the institution to which they might confide its savings, the establishment of the City and District was seriously considered ; and in

1846 the Bank was organized, having fifteen managing, chosen from among about sixty honorary directors.

The Savings Banks under the Act of 1841, being entirely of an eleemosynary character, the then Roman Catholic Bishop of Montreal, Monseigneur Bourget, was invited to become its patron, without however imparting to it any sectionalism, as the greater number of the members of the Board were at the time of a religion different from his. But the French Canadians and the Irish were then enabled to patronize an institution at the head of which they recognized men who had stood by them in their political struggles and in whom they had the greatest confidence.

One of the first determinations of the Managers from the outset was not to invest any portion of the funds of the Bank in mortgages, although such a disposition would have been permitted by law. The wisdom of this was soon to become apparent, as it saved the Bank from the fate of its predecessor, and contributed greatly to its success.

In the management of ordinary Banks, and particularly of Savings Banks, an essential element is the possession of securities that can be at any time easily converted into cash. The best securities, be they bonds or mortgages, if not of that character, will not save the credit of an institution in a crisis where nothing but cash will answer.

The first fifteen Directors of the City and District were :

William Workman,	Alfred LaRocque,
Joseph Bourret,	Luther H. Holton,
Francis Hincks,	Damase Masson,
Hy. Mulholland,	Pierre Beaubien,
Hy. Judah,	Chas. Wilson,
Joseph Grenier,	John E. Mills,
Nelson Davis,	John Tully,
Jacob Dewitt,	L. T. Drummond.

For two years (from 1846 to 1848) the Bank progressed quietly, meeting however with one mishap, which might have proved serious but for the devotion of the above Directors, who, although not remunerated for the time they gave to the business of the bank, generously subscribed their names to notes to meet a loss which had occurred in the depreciation of City Bank stock.

There was then no stock or accumulated profits to secure the deposits, and losses to be made good had to be assumed by the Directors. This generous act on the part of these gentlemen saved the Bank on that occasion.

In 1848 there occurred a general crisis in financial affairs, and then was seen the wisdom of the originators of the City and District in not lending on mortgages. The Provident and Savings Bank of Montreal, whose funds were largely placed in that kind of security, was forced to suspend payment. This unfortunate event shook the confidence of the working classes in Savings Banks to such an extent that for years they were regarded with much suspicion, and their growth was retarded. As an illustration we may notice that the amount due depositors by the City and District were:

In 1847.....	\$250,702
1848.....	178,241
1849.....	153,770
1850.....	273,994

From this time the progress was rapid, there being a considerable increase in amount every year, with the exception of 1854, 1855 and 1857—years of general depression and financial difficulty and wherein the deposits in Savings Banks showed a diminution.

In 1870 the amount due depositors was \$2,880,769; the number of depositors 9,362; average amount due each depositor \$307.68.

The Board of Directors consisted of :

Hon. L. H. Holton, Presdt.,	Henry Starnes,
Henry Judah, Vice-Presdt.,	William Workman,
A. M. Delisle,	Edwin Atwater,
Henry Mulholland,	Edw. Murphy,
Alf. LaRocque,	Hon. Justice J. A. Berthelot.

At this period a change was brought about in the constitution of the Savings Banks of the country. For some time back, statesmen, financiers and that class of persons who, as representative men, take an interest in the welfare of the industrial classes, had their attention directed to the necessity of giving greater security to the depositors, that offered by prudent management and accumulated profits being only accidental. In the case of the "City and District" these accumulations amounted to about \$180,000—a sum insufficient to meet any large loss, and out of proportion to the sum then due its depositors. And as the deposits were increasing very rapidly it was evident that to rely simply on accumulating profits as a guarantee to depositors, was unwise. It was evident, also, that the Act of 1841 and its amendments did not sufficiently prescribe the mode of investments to guard against all danger of loss.

What, then, were the best means of giving to depositors the security which, under the present constitution, the Savings Banks did not possess? No safer or better means could be devised than the creation of stock sufficient to place the depositors beyond the possibility of losing their earnings. This, with new enactments regulating the manner in which the business should be conducted and the nature of investments permitted, would secure the desired object. This was fixed at two millions of dollars for the "City and District," and one million for "La Caisse d'Economie" and

the "Provident and Savings," of Quebec." But, as it was not certain whether they all would or could subscribe the amount of stock required by law, they were offered a choice of the following alternatives :

- 1st. To continue their business and subscribe the stock, paying it up according to the requirements of the Act ;
- 2nd. To hand over their assets to a Chartered Bank which might continue the business as a Savings Bank Department and by which means the depositors would have the guarantee of the whole capital of that Bank, or
- 3rd. To hand over their assets and business to Government.

But in any case the law stipulated that the books of the various Savings Banks then existing should be balanced, and whatever profits existed at that moment were to form a Poor Fund to be invested in municipal or Government securities approved of by the Treasury-Board, and the interest distributed every year to the various charitable societies of the cities in which the respective Savings Banks were situated. The law further enacted that henceforth those institutions which should elect to continue business, would be prohibited from investing their funds in mortgages or in anything but municipal debentures and Government securities. They might accept, but only as collateral security, bank stocks and the other securities specified ; but twenty per cent. of the total amount on deposit should consist of Federal Government securities or cash on deposit in Chartered Banks.

Of the then existing Savings Banks, two chose the first alternative, and subscribed the required amount of stock, which now, with the profits they may possess, are a guarantee to depositors : the " City and District," with two millions subscribed and \$600,000 paid up and " La Caisse d'Economie " of Quebec, with one

million subscribed and \$250,000 paid up. One Savings Bank in Toronto, the "Toronto Savings Bank," surrendered its business to Government and the other the "Provident and Savings Bank," of Quebec, handed over its business to the Union Bank of Lower Canada, which continues the business in the old office of the "Provident" in the Upper Town.

The accumulated profits of the "City and District," when the books were balanced, amounted to \$180,000, which constitutes the Poor Fund. Besides this sum, this Bank had previously paid during several years, to charities of the city, \$80,715. The interest of the "Poor Fund" is now and has been distributed to various Institutions according to population, and a new distribution is made after every decennial census.

The accumulated profits of "La Caisse d'Economie" were put at \$83,000, and that forms the "Poor Fund" for the City of Quebec. The "Provident and Savings" of Quebec distributed the whole principal of its accumulated profits to charities before the surrender of its business to the Union Bank.

Such is the short history of the Savings Banks of the country and more particularly that of the "Montreal City and District." It must not be supposed, however, that this Institution has had an altogether uneventful time. The wisdom of converting these institutions from their purely benevolent nature with very inadequate security for the vast interests confided to their care, into joint stock concerns was not understood then as it is at present. And perhaps because of the success of the "City and District" it had its enemies who, at times, succeeded in creating a momentary distrust which culminated in very severe runs; but in all these cases calls were most promptly met; depositors were paid without exacting notice, and the office, instead of closing at the usual hours, remained open until late at night, so as to satisfy all demands.

And it certainly is creditable to the management that the available cash was more than sufficient to meet those heavy drains without having to pledge any of the Bank's securities or to call in any of its loans.

The "City and District" has its offices in a splendid building at the corner of St. James and St. John streets, which extends to Notre Dame street. Its three branches in the East, West and South of the city, are certainly ornaments to Montreal.

The following figures are taken from its balance sheet of 1883, and will convey to the mind of the reader an idea of its importance and of the services it renders to the public:

Capital stock subscribed.....	\$2,000,000
Do. paid up.....	<u>600,000</u>

Liabilities :

Due depositors, Head Office and Branches.....	\$6,212,635.57
Special Charity Trust Fund.....	180,000.00
Sundry open accounts.....	<u>232,042.94</u>
Total.....	<u><u>6,624,678.51</u></u>

Resources :

Bonded securities (Municipal and Montreal Harbour).....	1,153,849.54
Poor Fund Investment (Municipal Debentures).....	180,000.00
Loans on collateral security as required by law.....	4,226,904.58
Bank Premises, Head Office and Branches.....	375,762.54
Bank fixtures and furniture.....	5,519.20
Sundry open accounts.....	44,335.31
Cash in Banks.....	<u>1,530,206.93</u>
Total.....	<u><u>7,516,578.10</u></u>

Number of depositors 29,795.

Average amount due each depositor \$208.51.

One thing may be said which will speak eloquently in favor of the organization. The sum lost by the Bank since it was founded in 1846 by forgery, is under \$2,000, and the loss through the dishonesty of its employees is still less.

If we consider that the amount of cash passing over its counters during the last year was \$41,268,654, we will see evidence of constant care and attention to the smallest details.

The present directors are:

Edward Murphy, President,	R. Bellemare,
Alfred LaRocque, V.-President,	J. Ald. Ouimet, M.P.,
W. H. Hingston, M.D.,	E. J. Barbeau,
James O'Brien,	F. T. Judah,
Thos. Workman,	John H. R. Molson.

The first Manager was Mr. John Collins, who left the Bank in 1855. He was succeeded by Mr. Edmond J. Bearbeau, who retired in 1880, after thirty years' service. Mr. Henry Barbeau is the present Manager.

Montreal, January, 1884.

f
l
o
f